

II. EXISTING HOUSING STOCK AND NEW HOUSING CONSTRUCTION

In the post-war period urban growth in Lithuania was very dynamic. The share of urban population increased from 23 per cent in 1939 to 65 per cent in 1995. Urban growth was the highest in 1966-1970 due to a yearly migration of 57,000 inhabitants from rural to urban areas, which correspondingly led to the depopulation and decline of rural areas. In Lithuania, there are 111 towns (according to the national classification all settlements with more than 3,000 inhabitants are towns). Almost 40 per cent of the inhabitants live in the five biggest cities; 15 per cent of the total population is concentrated in Vilnius. The high level of urban concentration, together with employment restructuring, intensifies regional differences in the demand for and the supply of housing.

A. The existing housing stock

By the end of 1998 Lithuania's housing stock consisted of 1,306,061 housing units, with an average of 353 units per 1,000 inhabitants and average useful floor space of 21.1 m² per capita. However, regional and local differences in housing consumption are significant. In the rural areas, with some 351 dwellings (mainly family houses) per 1,000 inhabitants, there is practically no demand for new housing. In the urban areas, there are, on average, 338 dwellings per 1,000 inhabitants, mainly in multi-family housing estates, with much less floor space per dwelling unit. Though housing construction in Vilnius has increased the number of housing units per 1,000 inhabitants significantly (table 6), housing shortages continue to be a major problem. It should be noted that the indicator for Vilnius (333) is one of the lowest of the capital cities of all economies in transition.¹

Table 6. Dwellings per 1000 inhabitants, 1980-1998

	1980	1990	1994	1996	1997	1998
Lithuania	280	310	329	342	344	353
Vilnius	282	271	293	298	299	333

Source: Statistics Lithuania, B 902: *Stock of dwellings 1998*, Vilnius, 1999.

A comparison of housing quantity in table 7 indicates certain deficits in the Lithuanian housing stock. The indicator of persons per room, a traditional measure of residential overcrowding, is as high as 1.3. A high value of households per dwelling (1.06) indicates that housing supply is unable to meet housing needs -- to provide a separate dwelling for every household. Lithuania has one of the most unfavourable quantitative indicators among the economies in transition included in the sample.²

Table 7. Housing consumption in selected countries in transition, 1994

	Dwellings per 1,000 inhabitants	Households per dwelling	Persons per room	m ² per person
Albania	219	1.00	2.70	8.0
Bulgaria	405	0.88	1.00	16.7
Czech Republic	397	1.01	1.04	25.5
Estonia	410	1.03	1.18	32.0
Hungary	385	0.99	0.92	32.1
Latvia	370	1.13	1.21	20.9
Lithuania	329	1.06	1.30	19.7
Poland	296	1.06	1.02	18.2
Romania	341	0.95	1.19	17.4
Slovakia	334	1.00	1.14	21.9
Slovenia	338	0.95	1.33	19.0

Source: Hegedus, J., S. Mayo and I. Tosics, *Transition of the Housing Sector in the East-Central European Countries* (MRI, Budapest, 1996).

¹ According to 1994 data, these figures range from 341 (Riga) to 433 (Prague), while the average for the capital cities of the countries in transition is 383 housing units per 1000 inhabitants. (MRI, 1996).

² The figures for Vilnius are even higher; in the public rental sector it was 1.52 person per room in 1994.

Today several indices suggest that urban areas are still experiencing serious housing shortages. Among these indices are the household-to-dwelling ratio; mismatch in the structure of dwellings and households; percentage of urban families living in dormitories and number of applicants on the municipal waiting lists (see chapters I and IV). This shortage was quantified in 1992 in the 'Bustas' programme at 136,000 dwellings. Urban-rural inequalities in housing consumption can also be illustrated by data from the 1989 Census, which states that 64 per cent of families in urban areas occupied one- or two-room dwellings. The average size of urban dwellings is smaller (53.8 m²) than that of rural dwellings (67.5 m²). The rapid growth in the urban population and a very low spatial standard per person adopted in State rental or cooperative housing³ account for these differences.

From a quantitative point of view, the urban situation has improved slightly since the early 1990s, not so much because of the new construction, but particularly due to the conversion of former dormitories and non-residential premises to dwellings. For example, new construction added 23,700 dwellings to the existing housing stock, while conversion added another 50,100 dwellings between 1994-1997. Meanwhile anecdotal evidence suggests that many dwellings were converted to commercial or business uses, particularly in areas close to the central business districts of the larger urban centres. There are no statistical data on these changes, nor is it possible under current legislation to prevent such conversions.

Another disproportion can be seen in the structure of the housing stock versus the structure of households (according to the number of household members and the number of rooms in the dwelling), as illustrated in table 8. The data indicate that there is a shortage of dwellings with three rooms or more. It seems that new construction has responded by delivering larger dwellings (table 14).

Table 8. Distribution of dwellings and households, 1990

Households		Dwellings	
Number of persons in a household	Per cent of total	Number of rooms in a dwelling	Per cent of total
1	21.5	1	16.8
2	26.5	2	37.9
3	22.5	3	30.5
4	20.1	4	10.0
5 or more	9.4	5 or more	4.8

Sources: Ministry of Construction and Urban Development, *Housing and Environment in Lithuania Today, Tomorrow and after Tomorrow*,

National Report for the United Nations Conference on Human Settlements HABITAT II, Republic of Lithuania (Vilnius, 1998);

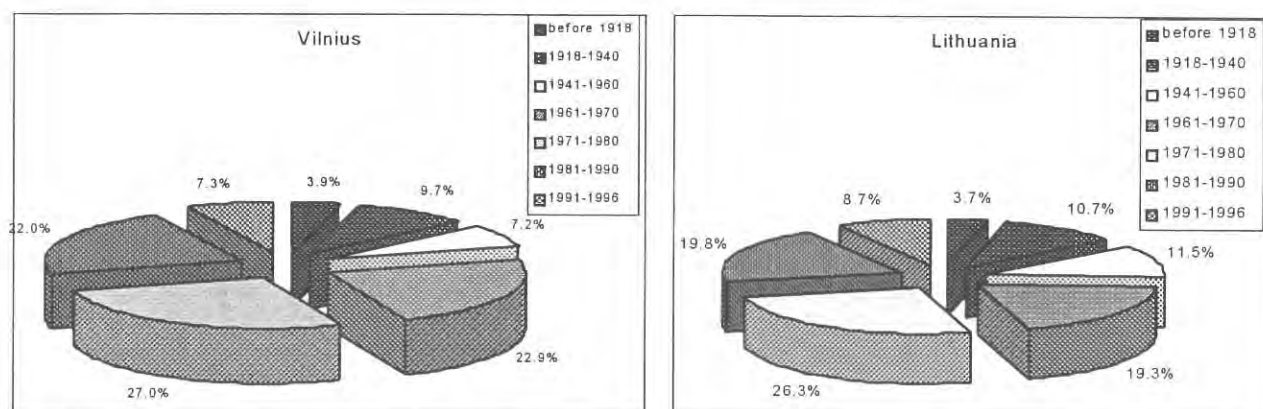
Institute of Architecture and Construction, Kaunas, 1999.

Quality of the housing stock

Data on the age structure of the housing stock (fig. VI) show that nearly three quarters of the dwellings in Lithuania were built in the period 1961 - 1996. Only 3 per cent of the dwellings were built before 1918 and another 11 per cent between 1918 - 1940. Due to neglected maintenance this relatively new housing stock requires extensive renovation. According to 1998 data, approximately 105,744 m² of total living space in public housing (4.1 per cent of the total housing stock) is considered to be unfit for habitation and will probably have to be demolished.

³ Housing consumption was limited to less than 5 m² per person in State rental and less than 7 m² in cooperative housing.

Figure VI. Age structure of the housing stock in Lithuania and in Vilnius



Source: Statistics Lithuania, B 902: Stock of dwellings 1998, Vilnius, 1999.

It is difficult to supply complete time series on the *quality of the Lithuanian housing stock*. Available data are rather vague and not consistent, and there is a mismatch in recent official information (e.g. 1993 data reflect the situation excluding privately owned houses in rural areas). Overall, housing qualitative indicators, such as central heating, piped water and sewerage system and bath (or shower), are higher in urban areas (see table 9), while the spatial standard is in general more favourable in rural areas. In rural areas only 44 per cent of the dwellings are connected to the piped water supply and 39 per cent have central heating. By contrast, close to 90 per cent of urban housing has access to a piped water supply, sewerage and central heating. While rural housing requires mainly a massive improvement in the public technical infrastructure, urban housing is more in need of quantitative and spatial improvements. In the case of new dwellings, the data indicate a commitment to higher technical standards.

Table 9. Facilities in the housing stock
(In per cent)

	Piped water ^{a/}	Fixed bath or shower ^{a/}	Central heating	Electricity	Sewerage system
Total housing stock, 1993 ^{b/}	58.9	53.8	57.8	100	N/A
1998	72.8	63.0	69.4	100	70.7
Urban housing stock, 1996	90.4	81.9	86.2	100	89.7
1998	89.4	80.7	87.0	100	89.1
Rural housing stock, 1998	44.1	32.5	39.2	100	39.1
Newly completed dwellings,					
1993	97.6	96.3	96.3	100	N/A
1994	100.0	97.1	76.8	100	97.1
1995	96.4	94.6	96.4	100	96.4
1996	94.6	92.9	96.4	100	96.4
1997	96.0	95.0	96.0	100	95.0

Sources: UN/ECE, *Annual Bulletin of Housing and Building Statistics for Europe and Northern America 1980, 1990, 1991, 1992, 1993* (New York and Geneva, 1995);

UN/ECE, *Annual Bulletin of Housing and Building Statistics for Europe and Northern America 1998* (New York and Geneva, 1999);

Statistics Lithuania, B 902: *Stock of dwellings 1998*, Vilnius, 1999.

^{a/} Indoors.

^{b/} Excluding privately owned houses in rural areas.

N/A - not available.

When discussing the technical performance of the existing housing stock, it is necessary to keep in mind that in the period from 1960 to 1990 construction was dominated by multi-family high-rise prefabricated housing, which accounted for 80 per cent of the total output. These types of buildings have the following typical problems:

- Poor construction quality, including the technical infrastructure in the buildings (bathrooms, electrical wiring, pipes and plumbing for heating, water and sewage pipes, lifts, etc.);
- Low energy efficiency (the most problematic being lightweight and monolithic panel houses with external walls 30 and 35 cm thick);
- Neglected maintenance;
- High energy losses in the district central heating system and hot water production and distribution.

In Lithuania, another source of housing are garden houses and summer cottages. Gardeners' associations constructed small houses on small plots of land on the outskirts of large cities during Soviet times. Gardeners' associations owned 22,000 hectares of land in 1998, of which 12,400 hectares were privately owned by 185,000 individuals.⁴ Though quality is poor, retired people and young families occupy many of these garden and summer houses all year long.

Maintenance

Lithuania has more than 30000 multi-family buildings, most of which are privatized. However, homeowners' associations manage some 10-15 per cent of them. Maintenance is still a monopoly of the municipal maintenance enterprises (companies), which also maintain the public rental stock. The variety, quality of services and tariffs are established without any adjustment to markets. Rent level and maintenance fees in the municipal rental sector, and maintenance fees in the owner-occupied sector are low, which restricts systematic maintenance and improvement. Consequently, this situation neither stimulates new private enterprises to enter the housing maintenance market, nor promotes competition.

There are no surveys or estimates of the investment needed to repair and improve the existing housing stock. Municipal maintenance companies estimate regular maintenance costs at Lt 0.8 per m², while only about Lt 0.25 is charged per month in the municipal rental sector.⁵ Because of the massive need for energy improvement, one of the explicit objectives of the 'Bustas' programme is to reduce energy consumption. The National Energy Savings Programme states that up to 50 per cent of the annual energy consumption could be saved by appropriate measures such as:

- The thermal insulation of the existing housing stock;
- Heat meters and economic incentives for the rational use of heat;
- Improvements in heat supply systems;
- The optimization of energy and fuel distribution.

The cost of thermal insulation improvements of the housing stock was estimated at 22 billion litai (US\$ billion 5.5) in 1992.⁶ In response to the challenge new regulations for the thermal performance in housing construction have been implemented, and soft loans for energy savings programme have been made available. The Housing Credit Foundation administers approximately one million litai per year to this end.

It is clear that there is an enormous need for well-organized and effective management and maintenance of the existing housing stock and preparation of strategies for modernization and renewal. Since a large part of Lithuania's housing stock is energy-inefficient and energy prices are rising, the energy bills of households are increasing. That leaves fewer resources for maintenance and repair. Therefore, in the current situation effective management could play a crucial role, as could maintenance companies, able to evaluate conditions, set priorities and propose sequence of steps necessary to improve individual cases. The activity of such companies should include also better information and communication with the owners.

⁴ S. Puipa, *Process of the land reform and perspectives in Lithuania* (1998).

⁵ *Study on Government Assistance Programmes to the housing sector* (Vilnius, August 1998).

⁶ The latest available update from the Ministry of the Environment in January 1998 suggests that these costs have increased to 20,000 litai per dwelling.

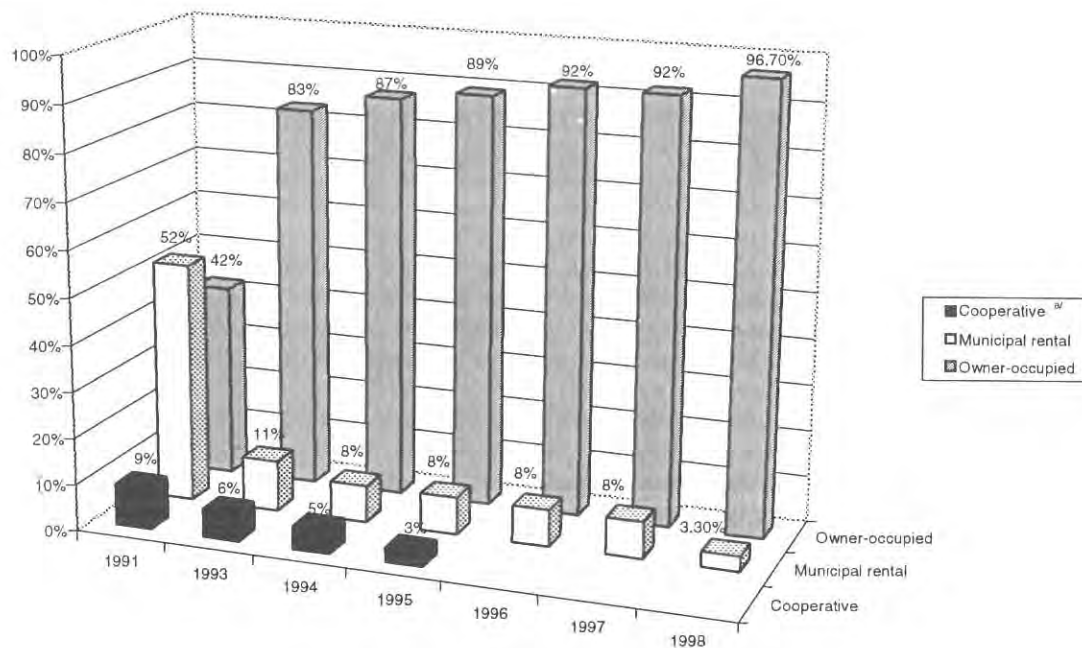
B. Tenure structure and housing markets

Privatization of housing

The first step on the way to housing market development was the restoration of the private ownership of housing. Since the legal basis for the restitution of ownership rights to property was established in 1991, 8,500 applications have been submitted. In 1998, 8,727 families lived in dwellings subject to restitution (see also **chapters I and IV**). As far as the restitution of ownership rights to land is concerned, only 12,000 applicants in urban areas received their land back.⁷

Until the re-establishment of independence, about 60 per cent of all dwellings (and about 80 per cent in urban areas) were owned by the State. Today, Lithuania's owner-occupied sector has a share of 96 per cent (**fig. VII**). Privatization was implemented very quickly, resulting in the sale of 532,900 State and publicly owned dwellings. Close to 94 per cent of all requests by tenants to purchase their flats were satisfied. It should be noted that land on which residential buildings were built was not subject to privatization. Dwellings were purchased using 23 per cent cash and 77 per cent vouchers.

Figure VII. Changing tenure structure, 1991 - 1998



Source: Statistics Lithuania, Stock of dwellings 1998, B 902 (Vilnius, 1999).

^{a/} According to the new legislation (1995), housing cooperatives had to register as homeowners' associations.

Thus, Lithuania became one of the "forerunners" in housing privatization and, together with Albania, Bulgaria, Hungary and Romania, has an extremely low volume of public housing compared with the 1990s EU average of approximately 18 per cent. **Table 10** illustrates the privatization trends in selected countries in transition. Additional information on tenure structure in Europe is presented in **annex I**.

⁷ There were 670,000 applications for land restitution in rural areas. By January 1998, 250,000 had been approved. Of the 60,000 applications in urban areas, 12,000 were approved.

**Table 10. Changes in the tenure structure in selected countries in transition
(In per cent)**

	Albania		Bulgaria		Czech Republic		Estonia		Hungary		Romania		Slovakia	
	1990	1998	1990	1996	1990	1998	1990	1998	1990	1998	1990	1998	1990	1998
Public rental	35.0	2.0	6.8	7.1	39.0	23.0	65.0	10.0	22.0	5.0	21.4	4.0	27.7	14.0
Private rental	-	-	1.5	3.2	-	10.0	-	-	0.5	1.0	1.0	3.0	-	-
Owner-occupied	65.0	98.0	91.7	89.7	41.0	44.0	35.0	90.0	77.5	94.0	76.1	93.0	50.2	69.0
Co-operative	-	-	-	-	20.0	23.0	-	-	-	-	1.5	-	22.1	17.0

Source: UN/ECE - CHF Practical workshop on housing privatisation, Crakow 1999.

The post-privatization phase faces a number of problems. One is that almost all dwellings could be privatized, even those with serious structural and technical problems and those that should be condemned. Another is that low-income households became owners but are not necessarily able to maintain their homes. Many urgent problems are thus ahead in regard to renovation and maintenance. But more importantly, the low share of public housing has left municipalities with no opportunity to provide shelter for socially marginalized households or people with special needs, or to respond to rising homelessness. *Homelessness*, almost unknown in Soviet times, has become one of the most serious problems confronting people going through a difficult time in life. Though there are no official statistics on homelessness in Lithuania, reportedly homeless people were either victims of fraud in the sale of their flats, or lost their dwellings as collateral for loans. Most of the homeless are long-term unemployed and tend to be under the age of 30.⁸ Municipalities and private charitable NGOs provide temporary shelters, but a solution to this problem requires a more systematic approach.

Housing and land markets

Following the restitution and privatization, many dwellings were offered for sale on the housing market. Voucher privatization provided a major boost to housing demand. In 1996, 74,216 sales of buildings and 11,042 purchases of land were registered, while in 1997 the volume of building sales nearly doubled to 148,761.⁹ The most active real estate markets operate in the larger cities -- Vilnius, Kaunas, Klaipeda and the sea resort of Palanga. *Housing prices are particularly sensitive to economic crises.* High inflation in 1993, the 1996 banking crisis in Lithuania and the more recent financial crisis in the Russian Federation considerably affected housing prices. House price differentiation is driven by differences in location, neighbourhood status and quality. Anecdotal evidence suggests that urban location close to the business districts and the old towns with higher-quality dwellings and buildings have increased considerably in price. House prices in these locations are typically 1.5-2 times higher than in other areas. Other parameters that affect house price dynamics are the number of rooms, the design, the layout and the construction system. Smaller dwellings are more expensive per m²; in larger units the price per m² reportedly decreases by 10 to 20 per cent, particularly in smaller towns, where running costs tend to be a burden on household budgets.

Although there is no comprehensive information on house prices as surveyed by a specialized institution, the available information on market prices for new dwellings (**table 11**) and individual houses (**table 12**), without finishings, illustrates the major trends in regional housing markets. Limited supply nearly tripled the prices of flats in central Vilnius between 1993 and 1999, while in the suburbs they merely doubled. In Kaunas, prices rose by a factor of approximately two and a half, while in Klaipeda due to rapid economic growth they quadrupled. *In the first half of 1999, price variations for flats were significant -- fluctuating from Lt 3,200 in the best locations of Vilnius to 750 in Panevezys.* Inflation and limited supply account for the moderate growth in house prices. However, the use of imported building materials, with better performance and higher prices, also affects house prices. New construction is reportedly 20 per cent more expensive than existing dwellings.

⁸ United Nations Development Programme, *Lithuanian Human Development Report 1996* (Vilnius, 1996).

⁹ A. Bagdonavicius, *Real Property Market and Real Property Taxation in Lithuania* (Vilnius, 1999).

**Table 11. Market prices of new dwellings in multi-family housing, 1993 – 1999
(In Lt per m²)**

	Vilnius ^{a/}			Kaunas	Klaipeda	Panevezys
1993	1200	700	400	500	450	300
1994	1300	930	450	600	570	500
1995	1800	1000	500	700	670	600
1996	2000	1200	600	750	850	650
1997	2400	1500	800	800	900	770
1999 ^{b/}	3200	1900	N/A	1200	1800	750

Sources: Institute of Architecture and Construction, Kaunas, 1999;
Namu Valda, Summary Information on Real Estate Prices, (Vilnius, 1999).

^{a/} Vilnius: central, broader and suburban location.

^{b/} Data are only for the period January – June.

N/A - not available

Prices of individual housing show a similar pattern of growing regional differentiation. The preferred type is the traditional single-family home of 100-150 m² constructed up to 5 years ago (table 12). Prices per m² are 1.5-2 times higher than the prices in multi-family buildings. Data indicate that suburban homes in Vilnius tend to be less attractive. However, this is due to their lack of adequate infrastructure and their problematic accessibility.

**Table 12. Prices of individual houses, 1993 – 1999
(In Lt per m²)**

	Vilnius ^{a/}			Kaunas	Klaipeda	Panevezys
1993	2900	1600	N/A	N/A	N/A	N/A
1994	3200	1800	800	N/A	N/A	N/A
1995	3500	2000	900	1400	1200	1200
1996	3700	2900	900	1600	1600	1200
1997	4500	3500	1200	1800	2000	1400
1999 ^{b/}	5800	4700	N/A	2000	3300	1600

Sources: Institute of Architecture and Construction, Kaunas, 1999;
Namu Valda, Summary Information on Real Estate Prices (Vilnius 1999).

^{a/} Vilnius: central, broader and suburban location.

^{b/} Data are for the period January – June.

N/A - not available.

The house-price-to-income ratio in Lithuania is quite high (see affordability issues in chapter III). Because of affordability problems, transactions tend to concentrate on the upper segment of the urban market. Annual turnover in the owner-occupied sector is estimated at 7-8 per cent. The highest demand is for 1 or 2-room dwellings and small¹⁰ individual houses with good insulation and low energy consumption. Extremely large houses with poor thermal performance and inadequate architectural design built in the early 1990s (before 1992) are extremely unpopular and their prices have not moved since 1994.

A private rental sector, consisting mostly of privatized dwellings, has developed rapidly in Vilnius and other large cities. The rent is often 40 to 60 times higher¹¹ than the rent in the public rental sector. Experts estimate that some 5-8 per cent of owner-occupied housing is used as private rental. These dwellings are rarely registered as a revenue property and tend to be rented without a lease. According to real estate agencies, 1-2 room flats in Vilnius and Klaipeda are let within a couple of days; larger flats with 3-4 rooms usually need 2-3

¹⁰ Up to 200 m² of floor space.

¹¹ Rent levels in Vilnius (according to local experts): one-room flat range from Lt 400 (US\$ 100) outside the centre to Lt 1,000 in the city centre; two- and three-room flats range from some Lt 800 - 2,500 to more than Lt 4,000, respectively.

weeks. There is significant demand for single-family housing; it takes only 2-4 weeks to let 3-5 room properties. By contrast, supply exceeds demand for rental housing in smaller towns and remote regions.¹²

Land markets are a new reality in Lithuania. The main part of the land market is created by agricultural land transactions; activity on the urban land market seems to be relatively underdeveloped and accidental, concentrated on the largest towns. For example, out of 27,637 private land transactions in 1998 more than 16,000 dealt with agricultural land. Land price dynamics in the emerging land markets indicate that urban land (in central areas and in suburbs suitable for recreation and future construction) tends to be the most valuable. There are significant differences in land prices between city centres and suburbs and among different towns (table 13). As the data indicate, land in central Vilnius has increased ten fold in price between 1993-1999, against 2.5 times in the suburbs. Similar trends can be observed in the second biggest city, Kaunas, and in the port of Klaipeda. In Panevezys (132,100 inhabitants) land prices merely doubled in the same period. Overall, price fluctuations are high, ranging from Lt 600 per m² in the best locations of Vilnius, to Lt 8 per m² in 1999.

Table 13. Market prices of land for housing construction, 1993 – 1999
(In Lt per m²)

	Vilnius ^{a/}	Kaunas	Klaipeda	Panevezys
1993	60 - 30 - N/A	N/A	N/A	N/A
1994	100 - 40 - 4	5	6	N/A
1995	200 - 60 - 6	5	7	6
1996	270 - 80 - 7	12	10	6
1997	360 - 100 - 10	20	12	8
1999 ^{b/}	600 - 150 - 10	200 - 80 - 24	360 - 200 - 88	24 - 12 - 8

Sources: Institute of Architecture and Construction, Kaunas, 1999;
Namu Valda, *Summary Information on Real Estate Prices* (Vilnius, 1999).

^{a/} Central, broader and suburban location.

^{b/} Data are only for the period January–June.

N/A - not available.

According to information from the State Land Cadastre and Register, annual turnover on the land market is low, less than 1.5 per cent. This could change in the near future, as one of the important political aims of the Lithuanian Government is to complete the land reform, which would mean going ahead with the mass privatization of the State-owned land. According to surveyors, about 2.5 - 3 million land parcels should be formed to be privatized or leased.¹³

C. New housing construction

Trends in the provision of new housing

New housing construction declined steadily in the 1990s. The number of new dwellings per 1,000 inhabitants dropped to 1.5 in 1995-1997.¹⁴ As Table 14 shows, annual output fell from 22,100 dwellings completed in 1990¹⁵ to 4,500 in 1998. That is less than 14 per cent of housing output during the 1980s. On the other hand, the average floor area of new housing has increased by almost 70 per cent, largely due to a surge in individual housing construction. New housing is mostly concentrated in urban areas -- between 80-90 per cent of the annual production. While almost 55 per cent of the existing housing stock tend to be 1-2 room flats; smaller units account for 32.2 per cent of the housing built in 1997. Dwellings with 4 or more rooms have doubled their share and form 39.9 per cent of newly built housing. Despite the overall decline, particularly pronounced in 1998, building permits for individual and multi-family housing remained relatively stable.¹⁶

¹² Namu Valda, *op.cit.*

¹³ Puipa, *op.cit.*

¹⁴ The comparable figure for western Europe is 3.5 - 6.6.

¹⁵ In 1980s, annual production ranged from 28,200 dwellings (1984) to 32,100 (1987).

¹⁶ Building permits for residential buildings issued during the period 1995-1998: 1,581; 1,530; 1,996; 1,452.

Table 14. Dwellings completed, 1990-1998

	1990	1991	1992	1993	1994	1995	1996	1997	1998
Dwellings completed (thousand)	22.1	15.3	12.7	8.2	6.9	5.6	5.62	5.56	4.18
Of which									
urban (%)	79	84	88	90	88	82	79	80	77
rural (%)	21	16	12	10	12	18	21	20	23
Average floor area (m ²)	65.7	66.3	69.3	74.4	85.5	101.0	112.0	109.0	120
Individual homes' average floor area (m ²)	104.9	110.0	118.2	133.3	152.0	161.0	180.0	166.0	171.7

Source: Statistical Yearbook of Lithuania 1999 (Vilnius, 1999).

Uncompleted housing amounts to 23,000 dwellings across Lithuania. Local experts estimate that approximately 90 per cent of these individual homes are located on the fringe of large cities. Some of these projects were initiated on a speculative basis by developers in 1991, who were then caught in rapidly escalating construction costs in 1992-1993. In some cases, individual owners were also unable to secure financing, or municipalities were unable to service the areas as planned. It is difficult to find a suitable financial and technical model for the completion of these projects, due to their size, layout and lack of adequate infrastructure.

Construction costs rocketed in 1992 and 1993. This surge was more or less correlated to changes in the consumer price index. It has been suggested that construction costs increased much more than input costs -- labour and building materials. Though data indicate that income is growing faster than inflation or construction costs, new housing continues to be a privilege for high-income households (table 15).

Table 15. Construction costs, inflation and income, ^{a/} 1991-1998

	1991	1992	1993	1994	1995	1996	1997	1998
Construction (total)	100	1184.2	486.9	184.0	125.4	116.8	109.8	104.2
Housing construction	100	1282.7	473.7	187.9	121.4	115.4	110.9	102.7
Inflation	N/A	N/A	N/A	145.1	135.7	113.1	108.4	102.4
Average income	N/A	N/A	N/A	200.6	124.7	100.8	117.4	114.1

Source: Institute of Architecture and Construction, Kaunas, 1999.

^{a/} Compared with the same period of the previous year (previous year = 100).

N/A: not available (in 1993 national currency was introduced).

Land is another constraint for the provision of new housing. According to real-estate agents, demand for urban land for housing construction is limited. The availability of serviced and developable land for individual housing is problematic. Land for multi-family construction is usually leased for 99 years. Municipalities are responsible for providing the technical infrastructure, but because of scarce budgetary resources their hands are tied. According to developers in Vilnius, there is a certain backlog in the preparation of master plans. Often developers have to finance detailed zoning plans, and this further increases development costs.

Actors in the provision of new housing

One of the objectives of the 'Bustas' programme was to construct 220,000-240,000 housing units during the 1992-2005 period, which translates into an annual construction of approximately 18,000 housing units. The programme also set a target of 1,200 dwellings per year for families on benefits. Previous discussions on trends in the production of new housing indicated that reality fell short of expectations. More importantly, the lack of an adequate new housing supply has fuelled speculation and has made housing less affordable to middle- and low-income households.

The introduction of market principles has brought new actors into the real estate markets. As illustrated in table 16, a substantial part of new dwellings since 1993 was completed in the private sector. Individual developers and associations (or cooperatives) account for 90 per cent of newly built housing. In 1996, the share

of public housing output was as low as 4.4 per cent (some 250 dwellings).¹⁷ This is a radical departure from the situation during Soviet times, when the public sector acted as the dominant developer and producer of housing. There are practically no institutional investors in the Lithuanian market. Developers are typically private construction firms, attracting potential clients before starting to build. Speculative house-building is non-existent. Multi-family housing is often built by 'construction associations', which following completion register as homeowners' associations.

Table 16. Housing construction according to type of developer

	1993		1994		1995		1996		1997		1998	
	Units	(%)	Units	(%)	Units	(%)	Units	(%)	Units	(%)	Units	(%)
Public sector	2677	(32.6)	1231	(17.8)	700	(12.5)	249	(4.4)	382	(6.9)	500	(11.9)
Joint-stock companies	502	(6.1)	281	(4.1)	500	(8.9)	185	(3.3)	66	(1.2)	1786	(42.9)
Cooperatives/ construction associations	2834	(34.5)	1976	(28.7)	2181	(38.9)	2854	(50.8)	2732	(49.1)		
Individual developers	2170	(26.4)	3352	(48.6)	2209	(39.5)	2334	(41.5)	2380	(42.8)	1890	(45.2)
Other developers	32	(0.4)	57	(0.8)	10	(0.2)	2	(0.0)	2	(0.0)	N/A	
TOTAL	8215	(100)	6897	(100)	5600	(100)	5624	(100)	5562	(100)	4176	(100)

Source: Ministry of Construction and Urban Development, Housing and Environment in Lithuania Today, Tomorrow and after Tomorrow,

National Report for the United Nations Conference on Human Settlements HABITAT II, Republic of Lithuania, (Vilnius, 1998).

Note: Data for 1995 and 1998 supplied by the Ministry of the Environment, Vilnius, 1999.

In summary, Lithuania has a relatively high volume of homes per 1000 population compared to most other countries in transition. Nevertheless, economic growth and growth in household spending power, the need to replace outworn stock, cope with future demographic changes and address current housing market disequilibria (e.g. overcrowding), all point to some urgency in increasing new housing output. The current housing development process does not appear to work smoothly, other than in some parts of the high-end of the market.

¹⁷ It was 20 per cent, 31.7 per cent, 31 per cent and 29 per cent respectively in Albania, the Czech Republic, Estonia and Bulgaria in 1996.